

Weekly Economic Update

08 August 2016



FOR PROFESSIONAL ADVISERS ONLY

UK

- The FTSE 100 closed the week at 6,793, up 1.2%. The UK 10 year gilt yield moved from 0.69% to 0.67%.
- The Bank of England (BoE) announced on Thursday its decision to cut the interest rate from 0.5% to 0.25%, which meant the first rate reduction for 7 years. This was largely anticipated, however it was the additional expansionary measures that surprised markets. The BoE announced that the quantitative easing programme was to be increased by £60bn, to £435bn over the next 6 months. The BoE also committed to purchasing £10bn of corporate bonds issued by UK companies whilst launching a £100bn project to encourage banks to lend. The pound fell immediately following the announcement, as did gilt yields. The BoE is hinting towards a further cut before the end of the year if economic growth unfolds as forecasted but Mark Carney, governor, has stated that he is not fond of negative interest rates.

GLOBAL

- Global equity markets were left relatively unchanged after falls earlier in the week were erased as the BoE opted to loosen monetary policy and employment data in the US was stronger than expected.
- The US Labour Department released the latest employment figures on Friday. Payrolls increased by 255,000 in July, which was ahead of estimates despite being less than the increase in June. Average hourly earnings rose by 0.3% from June, meaning an unchanged increase of 2.6% over the last 12 months. The unemployment rate remained at 4.9% as the rise in the number employed (420,000), exceeded the growth of the labour force (407,000). The dollar strengthened and Treasury yields climbed as the employment figures signalled strength in the US economy that allows for the possibility of policy tightening this year.
- Japan's government provided details on the planned fiscal stimulus package announced by prime minister Shinzo Abe the previous week. The 13.5 trillion yen of spending announced was not enough to impress investors who were left relatively underwhelmed. Japanese equities fell and the yen strengthened.
- Both imports and exports in China fell by more than anticipated in July. Imports fell by 12.5% in the 12 months up to July, representing the largest fall since February and raising questions over China's domestic consumer demand. Exports fell by 4.4% over the year, despite the yuan weakening against the dollar over the period. The trade surplus was \$52.3bn in July, its highest since January.
- Oil drilling in the US continued to increase last week with the number of oil rigs increasing from 374 to 381. This was reportedly the sixth consecutive week of increases which have put a downward pressure on the oil price. Oil prices recovered to near \$42 at the end of the week having fallen into a bear market earlier in the week when WTI Crude was temporarily trading below \$40. The gold price fell after the US payrolls data was released.

| Equity Markets | Index Level 05 Aug 16 | Total Return (Sterling) | | |
|----------------|--------------------------|-------------------------|-------|--------|
| | | MtD | YtD | 1 Year |
| FTSE All Share | 3691 | 0.3% | 8.8% | 3.3% |
| FTSE 100 | 6793 | 1.2% | 11.6% | 4.8% |
| FTSE 250 | 17465 | -0.2% | 0.6% | -0.3% |
| MSCI World | 1708 | 0.1% | 17.4% | 18.4% |
| S&P 500 | 2182 | 0.5% | 20.5% | 25.4% |
| DAX | 10367 | 0.8% | 11.2% | 8.4% |
| Nikkei 225 | 16254 | -0.1% | 14.8% | 15.6% |
| Hang Seng | 22146 | 2.5% | 17.2% | 12.3% |
| MSCI World EM | 876 | 1.2% | 26.2% | 20.2% |

| Bond Markets | Yield 05 Aug 16 | Index % Change (Sterling) | | |
|----------------------------|--------------------|---------------------------|-------|--------|
| | | MtD | YtD | 1 Year |
| FTA All Stock Gilt Index | 1.16 | 0.8% | 14.6% | 15.5% |
| FTA All Stock ILG Index | -1.46 | 1.0% | 18.9% | 14.9% |
| FTA Over 5 Year ILG Index | -1.46 | 1.1% | 21.4% | 16.7% |
| FTA Under 5 Year FIG Index | 0.10 | 0.1% | 2.9% | 3.7% |
| FTA Over 15 Year FIG Index | 1.36 | 1.5% | 27.1% | 27.4% |

| Interest Rates & Yields | Yield | Yield | Yield | Yield |
|---------------------------|-----------|-----------|-----------|-----------|
| | 05 Aug 16 | 31 Jul 16 | 31 Dec 15 | 05 Aug 15 |
| UK 10 Year Gilt Yield | 0.67 | 0.69 | 1.96 | 1.98 |
| UK 15 Year Gilt Yield | 1.14 | 1.21 | 2.29 | 2.34 |
| US 10 Year Treasury Yield | 1.56 | 1.45 | 2.27 | 2.27 |
| German 10 Year Yield | -0.07 | -0.12 | 0.63 | 0.75 |
| Spanish 10 Year Yield | 1.02 | 1.02 | 1.77 | 2.07 |
| Greek 10 Year Yield | 8.22 | 8.07 | 8.07 | 11.58 |
| Japan 10 Year Yield | -0.10 | -0.20 | 0.27 | 0.40 |

| Currencies Exchange Rate | 05 Aug 16 | 31 Jul 16 | 31 Dec 15 | 05 Aug 15 |
|--------------------------|-----------|-----------|-----------|-----------|
| | GBP / USD | 1.31 | 1.32 | 1.47 |
| GBP / EURO | 1.18 | 1.19 | 1.36 | 1.44 |
| GBP / YEN | 132.97 | 135.40 | 177.09 | 194.89 |

| Commodities | Price Level | Price Level | Price Level | Price Level |
|-------------|-------------|-------------|-------------|-------------|
| | 05 Aug 16 | 31 Jul 16 | 31 Dec 15 | 05 Aug 15 |
| Oil - WTI | 41.50 | 41.60 | 37.04 | 45.15 |
| Gold | 1,339.30 | 1,351.00 | 1,061.42 | 1,085.03 |
| Wheat | 417.50 | 407.75 | 470.00 | 502.00 |

Source: Mobius Life, Bloomberg
Please Note: Past performance is not a guide to future performance

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Weekly Economic Update

Upcoming Data Releases



| Date | Region | Event | Survey | Actual | Prior |
|------------|--------|------------------------------|----------|----------|----------|
| 08/08/2016 | JN | BoP Current Account Balance | ¥1103.5b | ¥974.4b | ¥1809.1b |
| 08/08/2016 | CH | Trade Balance | \$47.30b | \$52.31b | \$48.11b |
| 08/08/2016 | CH | Exports YoY | -0.035 | -0.044 | -0.048 |
| 08/08/2016 | CH | Imports YoY | -0.07 | -0.125 | -0.084 |
| 08/08/2016 | GE | Industrial Production SA MoM | 0.007 | 0.008 | -0.013 |
| 09/08/2016 | CH | CPI YoY | 0.018 | -- | 0.019 |
| 09/08/2016 | CH | PPI YoY | -0.02 | -- | -0.026 |
| 09/08/2016 | UK | Industrial Production MoM | 0.001 | -- | -0.005 |
| 09/08/2016 | UK | Manufacturing Production MoM | -0.002 | -- | -0.005 |
| 09/08/2016 | US | Wholesale Inventories MoM | 0 | -- | 0.001 |
| 10/08/2016 | JN | Machine Orders MoM | 0.032 | -- | -0.014 |
| 10/08/2016 | JN | PPI YoY | -0.04 | -- | -0.042 |
| 10/08/2016 | JN | Tertiary Industry Index MoM | 0.003 | -- | -0.007 |
| 10/08/2016 | FR | Industrial Production MoM | 0.001 | -- | -0.005 |
| 10/08/2016 | FR | Manufacturing Production MoM | 0.002 | -- | 0 |
| 10/08/2016 | US | MBA Mortgage Applications | -- | -- | -0.035 |
| 10/08/2016 | CH | Money Supply M2 YoY | 0.11 | -- | 0.118 |
| 11/08/2016 | FR | CPI YoY | 0.002 | -- | 0.002 |
| 11/08/2016 | US | Initial Jobless Claims | 265k | -- | 269k |
| 12/08/2016 | CH | Industrial Production YoY | 0.062 | -- | 0.062 |
| 12/08/2016 | GE | CPI YoY | 0.004 | -- | 0.004 |
| 12/08/2016 | SP | CPI YoY | -0.006 | -- | -0.006 |
| 12/08/2016 | US | Retail Sales Advance MoM | 0.004 | -- | 0.006 |
| 12/08/2016 | US | PPI Final Demand MoM | 0.001 | -- | 0.005 |
| 12/08/2016 | US | U. of Mich. Sentiment | 91.5 | -- | 90 |

Source: Bloomberg

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